



Agenda Item 9

December 17, 2014

ITEM NAME: Investments Policy Federal Representative Request for Proposal (RFP 2014-7186) – Interview of Finalists and Intent to Award

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) interview the Finalists and score and rank the Finalists and award the contract for the Investments Policy Federal Representative under RFP No. 2014-7186 to the Finalist with the highest combined score, subject to negotiations and the satisfaction of all requirements.

EXECUTIVE SUMMARY

The purpose of this item is for the Board to interview the Finalists for the Investments Policy Federal Representative (Investments Representative) contract.

STRATEGIC PLAN

This agenda item supports Goal C of the 2012-17 Strategic Plan because the Federal Representatives are key components in CalPERS ability to engage in national policy development to enhance the long-term sustainability and effectiveness of our programs.

BACKGROUND

In May 2014, the Board directed staff to develop and launch three policy-specific Request for Proposals (RFP) for federal policy representation, and an RFP to create a spring-fed pool of federal consultants to provide additional support to meet new, increased, or otherwise unanticipated federal consulting needs. The first three RFPs were launched in early August, closing in mid-September, and the pool RFP closed on November 18, 2014. The three RFPs were advertised in both the print and online versions of the Washington Post, The Hill Newspaper, and CQ-Roll Call. In addition, staff sent the announcement of the RFPs to a list of approximately 50 lobbyist firms that had been contacted for the previous Federal RFP. The federal representation contract with Lussier Gregor Vienna and Associates was extended until no later than June 30, 2015.

Generally speaking, the Investments Representative is responsible for assisting CalPERS with monitoring and analyzing legislative, regulatory and other possible actions that may affect our portfolio. This includes strategic advice, coordination of meetings, message crafting, and especially message delivery. This work has

included, and will continue to include monitoring the development and issuance of Executive Orders and proposed and/or interim rules by regulatory bodies that impact investing, disclosure, and financial reporting. It would also include monitoring of developments in important court cases that impact investors; for example, fee shifting bylaws.

As such, strong experience within and access to bipartisan and diverse levels of Congress are critically important qualifications for the Investments Representative. Equally important, though, is similar experience with and access to high-level officials in the Executive Branch and regulatory entities, including, but not limited to, the Securities Exchange Commission, Commodities Futures Trading Commission Federal Accounting Standards Board, Treasury, and the Environmental Protection Agency.

In addition to legislative work, the CalPERS 2014-16 Business Plan includes an initiative to develop Financial Market Reform Principles. This item proposes refreshed Principles of Financial Regulation Reform that CalPERS developed in conjunction with U.S. pension funds in 2009. It will be vital for the Investments Representative to assist staff in strategic engagements with policymakers on priority issues, including, but not limited to, derivatives, credit rating agencies and housing finance reform.

The final filing date for the Investments Representative RFP was September 17, 2014, and six proposals were received. An Evaluation Committee met to discuss the reviewers' impressions and evaluations of the Technical Proposals, and awarded a single score by consensus for each Technical Proposal. The RFP specified that only proposals that were awarded at least 105 of the initial 150 technical points would advance to the next phase of the evaluation process. Two of the six firms submitting proposals met that threshold.

A second phase of the technical evaluation this year is a staff interview, worth up to 50 points. Staff interviewed the two candidates via conference call, asking both firms to respond to a set of questions, and developed a consensus score.

Points awarded for the Fee Proposals submitted by the proposers were computed in accordance with the specifications of the RFP. The RFP specified that the highest scoring proposal(s) after the Technical Proposal and Fee Proposal scores were combined, as determined by CalPERS, would be considered the Finalist(s).

The following chart summarizes the ranking of the two Investments Representative proposers, based on their combined Technical Proposal, Staff Interview and the Fee Proposal scores.

Investments Policy Federal Representative					
Current Rank	Proposer	Fee Proposal Score	Technical Proposal Score	Staff Interview Score	Total Score
1	DLA Piper	300	117	25	442
2	K&L Gates	244	138	44	426

ANALYSIS

In November 2014, the Finance and Administration Committee selected the two finalists for interview.

Each firm will have up to 30 minutes before the Board (10 minutes for a presentation and up to 20 minutes for questions and answers).

Generally, upon completion of the interviews, the Board will score the Finalists using the “trimmed average” scoring methodology set forth in the RFP. The final interview score of each Finalist will be combined with the Finalist’s Technical and Fee Proposal scores, and the Finalists will then be ranked from highest to lowest. The distribution of maximum possible points is as follows:

- Technical Proposal: 200 points maximum (includes staff interview worth up to 50 points)
- Fee Proposal: 300 points maximum
- Board Interview: 500 points maximum

Total Combined Investments Representative Score: 1000 points maximum

Background information on the Finalist firms, as well as on the interview process, will be uploaded for the Board with the Full Board meeting agenda materials. Binders with the hard copy will be available to the Members at the meeting itself.

BUDGET AND FISCAL IMPACTS

Upon successful award and execution of a contract for the Investments Representative services specified in the RFP, CalPERS will have federal representative services from a qualified firm in the Washington, D.C. area. The annual cost for these services is subject to negotiation, based on the fee proposal submitted by the successful proposer.

BENEFITS/RISKS

- Contracting with an Investments Representative will provide CalPERS with a voice and presence in Washington D.C. with regard to Investments policy issues.
- The Investments Representative will provide critical information, updates and analyses for the Board's consideration in the direction of CalPERS policy and operations.
- The new Congress will convene at the beginning of 2015. Delays in the interviews and contract negotiations could delay CalPERS development of relationships with new members of Congress and/or interrupt the continued engagement on policy matters of importance to CalPERS.

ANN BOYNTON
Deputy Executive Officer
Benefit Programs Policy and Planning

ANNE STAUSBOLL
Chief Executive Officer